

Resolution No.: 17-586
Introduced: October 16, 2012
Adopted: November 6, 2012

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

By: Council President at the Request of the County Executive

SUBJECT: Supplemental Appropriation #13-338 to the FY13 Operating Budget
Montgomery County Government
Department of Economic Development
Economic Development Fund Grant and Loan Program \$4,160,000

Background

1. Section 307 of the Montgomery County Charter provides that any supplemental appropriation shall be recommended by the County Executive, who shall specify the source of funds to finance it. The Council shall hold a public hearing on each proposed supplemental appropriation after at least one week's notice. A supplemental appropriation that would comply with, avail the County of, or put into effect a grant or a Federal, State or County law or regulation, or one that is approved after January 1 of any fiscal year, requires an affirmative vote of five Councilmembers. A supplemental appropriation for any other purpose that is approved before January 1 of any fiscal year requires an affirmative vote of six Councilmembers. The Council may, in a single action, approve more than one supplemental appropriation. The Executive may disapprove or reduce a supplemental appropriation, and the Council may reapprove the appropriation, as if it were an item in the annual budget.
2. The County Executive has requested the following FY13 Operating Budget appropriation increases for the Department of Economic Development:

| <u>Personnel Services</u> | <u>Operating Expenses</u> | <u>Capital Outlay</u> | <u>Total</u> | <u>Source of Funds</u> |
|-------------------------------|-------------------------------|---------------------------|-------------------|---|
| \$0 | \$3,996,665 | \$0 | \$3,996,665 | General Fund |
| \$0 | <u>\$ 163,335</u> | \$0 | <u>\$ 163,335</u> | Undesignated Reserve City of Rockville |
| Total | \$4,160,000 | | \$4,160,000 | |

3. The funding is necessary at this time because Duball LLC has secured the private financing needed to develop a mixed-use development project in the Rockville Town Center that includes a new hotel with Choice Hotels brand (Duball Project).

The Duball Project is part of a bigger project including relocation of the Headquarters of Choice Hotels International, Inc. and the development of a Cambria Suites Hotel adjacent to its new headquarters. Total costs associated with the Duball Project are estimated to be over \$103 million. Duball is required to provide \$6,160,000 in order to achieve an 8 percent return on equity and obtain financing for the Duball Project. Choice Hotels has committed to invest \$2,000,000 in the project and the County has committed a conditional grant in the amount of \$3,180,000 under the Economic Development Fund. The City of Rockville (the City) has also committed to provide \$980,000 in financial assistance for the Duball Project. However, due to lack of a funding mechanism and cash flow issues, the City cannot fund the project directly. The City has to ask the County to advance funds first and then pay back the County in six installments. The County has agreed to advance funds through the Economic Development Fund, and the amount shall be repayable by the City to the County subject to the City's annual budget appropriation. The repayment will occur in six installments, with the first installment of \$163,335 payable to the County within 30 days of the County's disbursement of the full \$4,160,000 to Duball Rockville, LLC. Five additional annual installments of \$163,333 will be due on August 1st of each of the next five years thereafter, regardless of whether the recipient complies with or fails to comply with the terms of the Economic Development Fund Agreement.

4. Duball Rockville, LLC has submitted their application to the City for the building permit for the construction of the Project. According to the City, the building permit was issued in late September. The grant disbursement conditions were all met upon the issuance of the building permit.
5. The County Executive recommends a supplemental appropriation to the FY13 Operating Budget in the amount of \$4,160,000 for Duball LLC, and the source of funds will be specified as General Fund Undesignated Reserves (\$3,996,665) and City of Rockville (\$163,335).
6. Notice of public hearing was given, and a public hearing was held November 6, 2012.

Action

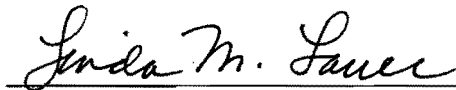
The County Council for Montgomery County, Maryland approves the following action:

A supplemental appropriation to the FY13 Operating Budget of the Department of Economic Development is approved as follows:

| <u>Personnel Services</u> | <u>Operating Expenses</u> | <u>Capital Outlay</u> | <u>Total</u> | <u>Source of Funds</u> |
|-------------------------------|-------------------------------|---------------------------|-------------------|---|
| \$0 | \$3,996,665 | \$0 | \$3,996,665 | General Fund |
| \$0 | <u>\$ 163,335</u> | \$0 | <u>\$ 163,335</u> | Undesignated Reserve City of Rockville |
| Total | \$4,160,000 | | \$4,160,000 | |

Each repayment from the City will be directed to the County's General Fund.

This is a correct copy of Council action.



Linda M. Lauer, Clerk of the Council